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DEPT FOR SRAP, SCA/FO, SCA/RA, AND SCA/A  
DEPT PASS FOR AID/ANE  
DEPT PASS USTR FOR DELANEY AND DEANGELIS  
DEPT PASS OPIC FOR MORRIS  
DEPT PASS FOR TDA FOR STEIN AND GREENIP  
USOECF FOR ENERGY ATTACHE  
CENTCOM FOR CSTC-A  
NSC FOR JWOOD  
TREASURY FOR MHIRSON, ABAUKOL, AWELLER, AND MNUGENT  
COMMERCE FOR HAMROCK-MANN, DEES, AND FONOVICH

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TAGS: [ECIN](#) [ECPS](#) [ETRD](#) [EINV](#) [EFIN](#) [AF](#)

SUBJECT: Using Connection Technologies to Promote US Strategic  
Interests in Afghanistan: Mobile Banking, Telecommunications  
Insurance, and Co-Location of Cell Phone Towers

REF: A) Kabul 268

¶1. (SBU) SUMMARY: In a series of meetings from July 8-12, Ambassador Wayne, Coordinating Director for Development and Economic Affairs, visiting SRAP Special Advisor Ashley Bommer, S/P staffer Jared Cohen, and Econoff met with officials from Roshan Telecommunications Company, Afghan Wireless Communications Company (AWCC), US Forces-Afghanistan's strategic communications staff, Da Afghanistan Bank (the central bank), and the Ministry of Communications and Information Technology (MCIT) to discuss three innovative proposals for telecommunications development: a) mobile phone banking; b) an insurance scheme for mobile service providers (MSPs); c) and placement of mobile phone towers and other infrastructure on secure locations like Forward Operating Bases (FOBs), other coalition forces' installations, and Afghan government secured bases. Government of the Islamic Republic of Afghanistan (GIROA) officials were largely supportive of these proposals, but noted some potential concerns including MSP reliability, lack of an information communication technology LAN, and insurgent threats to MSP employees outside of secure bases. Roshan, the largest mobile service provider with a claimed 40% market share, enthusiastically supports these proposals and is poised to develop agreements with the USG and GIROA in order to begin implementation. Embassy supports development of all these new communications technologies and will work to bring all key GIROA stakeholders into discussions. The visitors from SRAP and S/P have been working hard and well to make progress on these issues. END SUMMARY.

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Mobile Banking: Bringing Modern  
Banking to Rural Communities  
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¶2. (SBU) BACKGROUND: Mobile banking is progressing rapidly in Afghanistan where the large majority of the population remains unbanked. In mobile banking, customers can transfer money using SMS communication. Recipients then collect payments through certified mobile banking agents (reftel). Roshan, so far the only provider, has 50,000 customers to date in its now eight-month old M-Paisa program. USAID is partnering with Roshan to support a mobile banking pilot program where microfinance institutions can partner

with Roshan agents to collect microfinance loan payments. Currently there are only 300 commercial bank branches and 150 microfinance institution branches in all of Afghanistan. Most of these branches are located in provincial capitals. Marrying mobile banking and microfinance loan payments offers hope for reducing the cost of delivering financial services in Afghanistan and reaching underserved rural populations where the construction of a brick and mortar branch is cost prohibitive.

¶3. (SBU) Roshan currently has a pilot project with the Ministry of Interior to issue salary payments using M-Paisa to Afghan National Police in Wardak province. Roshan officials told Econoff that they have received numerous requests from other GIROA agencies for pilot salary dispersal programs. Roshan said the Ministry of Energy and Water is interested in developing a system for paying energy bills using M-Paisa. US Forces-Afghanistan (USFOR-A) is interested in using mobile banking for salary payments to contractors. Despite this enthusiastic response, Roshan complains that the central bank is inhibiting M-Paisa expansion by arbitrarily limiting the number of M-Paisa agents to 500 and only authorizing one pilot program at a time with GIROA agencies.

¶4. (SBU) In a July 12 meeting with Ambassador Wayne, S/P's Cohen, USAID, and Roshan officials, and Da Afghanistan Bank (DAB) Governor Fitrat expressed strong support for mobile banking programs, but the Governor cautioned that such nonconventional banking programs carry a risk that funds will flow into the hands of insurgent or criminal groups. Fitrat noted that his main concern is the accountability and security of the system of agents and of the user registration system, since SIM cards are sold indiscriminately. Roshan and USAID explained that mobile banking agents are carefully vetted. Roshan

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said they use established businesses and require their agents to have a float of 12,500-100,000 Afghanis (about 250 USD to 2,000 USD) depending on the region in order to ensure that customers will be able to withdraw money as needed. Roshan also said that they require M-Paisa customers to register for the service with government-issued identification, and there can only be one M-Paisa account per ID number.

¶5. (SBU) Governor Fitrat appeared increasingly reassured by the security features of the M-Paisa service. In an important concession, Fitrat said that MSPs would be allowed to use banks, microfinance institutions, and the newly-licensed "hawala" network in addition to the 500-1,000 agents that DAB regulations allow each MSP. Fitrat also agreed to facilitate a meeting between financial institutions and mobile service providers to discuss their future collaboration. Governor Fitrat said that though Roshan is the most responsible actor in telecommunications in terms of security and accountability, the other MSPs are not as reliable. Fitrat stated that he intends to implement a "friendly" regulatory framework for mobile banking in order to minimize fallout associated with larger scale implementation as Roshan expands into the market and other MSPs offer the service. Fitrat is keen to review the Kenyan central bank's recent mobile banking regulations as an example for Afghanistan and was also examining relevant Philippine regulations.

¶6. (SBU) Minister of Communications and Information Technology Amirzai Sangin told Ambassador Wayne and S/P's Cohen on July 12 that though the Ministry strongly supports mobile banking, GIROA needs an information communication technology law that would institute a legal framework for SMS communications. (NOTE: The current telecommunications law only covers voice communications and basic data services. END NOTE). MCIT has drafted an ICT law and is waiting for the Ministry of Justice to give final approval before it goes to the full cabinet and then Parliament. Additionally, Minister Sangin noted that Afghanistan does not have an encryption or digital signature system (Afghanistan currently used VeriSign), which could make mobile banking customers vulnerable to fraud.

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Insuring Cell Phone Infrastructure:  
Critical Stakeholders Moving Forward  
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17. (SBU) BACKGROUND: Since February 2008 wireless providers have suffered losses in revenue and equipment due to attacks on cell towers primarily in the South. Recently, insurgents destroyed a Roshan tower in Helmand. On average, such a loss costs the provider \$200,000 per tower. The Overseas Private Investment Corporation (OPIC) and the MSPs, particularly Roshan, have discussed setting up a facility to provide insurance for operators against insurgent attacks on cell phone towers. Since insurgents demand that MSPs power down towers at night in Helmand and Kandahar provinces or suffer attacks, the MSPs believe an insurance scheme will mitigate their risk in investing further in infrastructure in the South and incentivize them to keep towers operating when faced with insurgent threats. Keeping cell phone towers operating at all times will give rural populations access to this important communication network and erode the Taliban's power to intimidate rural communities. The companies are lobbying heavily and have enlisted OPIC and USG support in developing the insurance program. SRAP's Bommer and S/P's Cohen have been working very hard to address this issue.

18. (SBU) The MSPs say they need seed money to set up the insurance facility and they have identified the Telecom Development Fund (TDF) as the best source. The TDF is controlled by the Afghanistan Telecommunications Regulatory Agency (ATRA) by law and is supposed to support the expansion of rural telecom access. Currently, wireless providers pay a monthly 2.5% revenue tax to support the TDF, and it is estimated that the TDF currently has \$18-25 million. To date, MCIT has not spent any of these funds for the purpose of telecom development. The mobile telecom providers led by Roshan aim

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to gain control of part or all of this fund for the insurance scheme.

19. (SBU) In prior meetings, MCIT and ATRA were reluctant to allow the companies to use the TDF without Presidential or Parliamentary intervention. However, on July 12, Minister Sangin told Ambassador Wayne that he supports the insurance scheme and that MCIT and ATRA agree in principle to allow the MSPs to use some of the TDF as a no-interest loan for seed money for the insurance pool. Minister Sangin noted that the TDF law stipulates that ATRA has the authority to change the amount of the revenue tax paid into the TDF. Furthermore, MCIT and ATRA agree in principle to reduce the TDF revenue tax to 2.0% with the other 0.5% to go into the insurance pool. They also stated that the MSPs could repay the TDF loan as the insurance pool grows and did not specify any time frame by which the MSPs were required to repay the loan.

110. (SBU) Though ATRA Chairman Zakaria Hassan appeared more supportive than in prior discussions, he cautioned that the companies want to take out more money from the TDF than ATRA is willing to allow. Hassan also said that ATRA, MCIT and the MSPs need to work out an agreement to administer the insurance pool. Sangin noted that there are few insurance companies in Afghanistan and that the largest, the Insurance Company of Afghanistan (ICA), has little capacity to work in such a high revenue sector as telecommunications. Ambassador Wayne countered that we could explore what USG resources could be brought to bear to provide capacity-building training for ICA. In the meantime, ATRA has promised to consult the MSPs and make a final decision in the coming weeks. Roshan is working on drafting a memorandum of understanding (MOU) between GIROA, the OPIC, an as-yet unnamed insurance company, and the four MSPs.

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Using Secure Locations  
For Cell Phone Towers  
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111. (SBU) From July 8-11, SRAP Special Advisor Ashley Bommer and S/P staffer Jared Cohen met with US Forces-Afghanistan (USFOR-A) officials and the mobile service providers to discuss the possibility of placing telecommunications towers on US Military's Forward Operating Bases (FOBs) or other secure locations. Roshan is keen to develop this partnership with the USG and sees it as a way to promote mutual security, communications, and commercial

strategies for Afghanistan. At present, Roshan and USFOR-A are drafting an MOU for the co-location agreement. Under the proposed draft agreement, USFOR-A would erect the towers and Roshan would lease space. USFOR-A would be responsible for providing electricity supply and Roshan would be responsible for providing the equipment. A percentage of the proceeds from the lease agreement would go to the local community where the towers are located and Roshan would work to eventually transfer ownership of the towers to the local community.

¶12. (SBU) Although Roshan officials told USG officials that they are ready to sign an agreement with USFOR-A, the other three MSPs have demonstrated only mild interest. Afghan Wireless Communication Co (AWCC) was the only other provider represented at the meetings. Though AWCC Managing Director Amin Ramin told Emboff that they were interested in the proposal, Ramin stopped short of agreeing to partner with the USG. Minister Sangin told Ambassador Wayne that he supports the concept but does not believe that building towers on secure locations will solve the threat issue because the insurgents do not threaten companies when they are building towers. He said companies face insurgent threats when they are transporting equipment and workers to cell tower sites. Sangin said an alternate plan would be to have movable cell towers in reserve as available replacements when insurgents attack cell towers.

¶13. (SBU) COMMENT: These three proposals together make an ambitious plan to promote stable and secure telecommunications using new

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"connection" technologies in Afghanistan. We support their development and advocate bringing all key Afghan government stakeholders to discussions. The Ministries of Interior and Defense have not so far been included in discussions about co-locating cell towers on secure locations but will need to be brought into the discussion. We are confident that the central bank will allow expansion of mobile banking in the near future. MCIT and ATRA's growing support for using the TDF for the insurance scheme is an encouraging development. However, since ATRA is independent from MCIT and the TDF is solely under ATRA's control, Sangin cannot compel ATRA to release the funds if ATRA still has reservations about the amount of money taken out of the TDF. If ATRA continues to raise opposition to rolling out the insurance scheme, overriding it would require high-level USG engagement to secure a presidential decree. END COMMENT

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